

**Attachment C: Master Planning for DG under 30 V.S.A. § 248 (“Section 248”)
October 8, 2002**

What follows is conceptual document prepared during the Phase II DUP collaborative, Docket 6290. In accordance with paragraph 22 of the Memorandum of Understanding (“the MOU”) resulting from that collaborative, this document is proposed to be a starting point for rulemaking by the Public Service Board. Terms herein that are defined in the MOU shall have the same meaning.

Projects eligible for master planning.

This document addresses only the possibilities of a distributed generation project with multiple generation sites to be developed sequentially and where the type and size of generation options are known. The context for this proposal is DUP; therefore, the DG project is defined as the set of DG facilities which cost effectively avoids or defers a T&D project which would otherwise be needed.

One application is when the DG project consists of multiple facilities on the same site. A second application is when the DG project consists of multiple facilities on multiple sites and the geographic placement of multiple sites within the DG project is known. A third application would be the same as the second, except that the location of some or all individual sites may be unknown at the time of the application, and therefore the scope of the master plan would likely be less thorough. For the third application, the number of sites to be developed and the general area should be known, regardless of whether the exact placement of facilities is known.

What the application process would look like.

The Board could issue partial decisions, applying only to certain criteria. For instance, the decision could state that five of the criteria are satisfied and issue a decision stating that only the remaining criteria need to be reviewed through individual amendment applications. These partial decisions would need to be binding if they were to provide stability for the applicant. They would be time-limited, with PSB discretion to change that time-frame. Alternatively, if sufficient information is included in the application, the Board could issue a complete decision addressing each of the criteria.

An alternative to a partial decision process, as described above, would be to require the applicant to apply for a CPG for the first site within the project. The Board could issue a CPG for the first site and in addition would issue findings on some of the other criteria for further sites. Subsequently, the further sites would be reviewed under the remaining criteria through an amendment application process.

In general, under this proposal, the Board would issue a CPG for a site only after all criteria are satisfied. In this regard, as a matter of policy, the Agency of Natural Resources (“ANR” or the “Agency”) and DPS believe that Section 248 applications should demonstrate

compliance with all criteria prior to issuance of a CPG and therefore they do not favor granting a CPG that is contingent upon securing environmental permits at some future date. However, due to the sequential development of the facilities and limitations on the length of air permits, an applicant may choose to defer seeking air permits for some or all facilities (except the first facility to be developed) and therefore may not have these permits in hand at the time of an initial application under Section 248. Thus, at that time, a utility pursuing a multiple generation site alternative to a T&D upgrade may be able to demonstrate compliance with all criteria except the air pollution criterion. In this special circumstance, the applicant would be able to ask the Board to issue a CPG for the subsequent sites contingent upon obtaining air permits prior to construction, ANR and DPS would each evaluate on a case-by-case basis whether the circumstances warrant issuance of such contingent permits, and the Board would determine in its discretion whether to do so.

The application should include time constraints, listing the date when the last site within the project will be developed, as well as any time limits contained in other permits pertaining to the project. The Board would consider these constraints and limits in setting any period for the effectiveness of a partial decision, and would have the discretion to change the period for which a partial decision is effective if deemed appropriate.

The applicant should be encouraged to submit a preliminary proposal to ANR so that the Agency could identify potential problems such as outstanding water resources and sensitive habitat located in or near the proposed site.

Applications would need to describe existing conditions for the criteria applied for and other criteria to the extent known. The applicant could also address what further information, such as resource inventories, mapping, and engineering data, must be provided.

Substantial changes in the master plan application would require an amendment and all criteria may be reviewed.

Which criteria would be eligible for the master planning process?

Several of the criteria, specifically, 1 (orderly development), 2 (need), 6 (compliance with IRP), 7 (compliance with electric energy plan), and 10 (existing transmission facilities), appear to be project specific rather than location specific; therefore, these criteria can be considered for possible review under a master plan application. Criterion 9, dealing with waste to energy facilities, does not appear to be applicable to DG projects and would not be a concern.

With respect to criteria 2 (need), 6 (compliance with IRP) and the least-cost planning aspects of 7 (compliance with electric energy plan), compliance would be determined based on the costs and benefits of the overall project (i.e., the facilities would have to pass as a group, and the number of facilities would need to be shown to be economically justified).

Applications can be divided into two categories: those where the specific location(s) of facilities is (are) known and those where the location is unknown. Unknown sites might be limited

to the project criteria listed above. For these sites, location specific criteria, such as 3 (stability and reliability), 5 (environmental), and 8 (outstanding water resources) would be unlikely to be addressed through the master planning process. However, it may be possible to address some of these criteria in a master planning process if certain commitments by an applicant are made. For example, criterion 3 (stability and reliability) may be capable of generic consideration for a specified installation to be the same at each site. Similarly, a commitment to locate DG inside existing facilities (e.g., a customer's factory) might assist in generic consideration of some environmental criteria.

In the case where not all sites are known, Criterion 4 (economic benefit) presents a special problem. On the one hand, it will be difficult to account for site-specific costs (e.g., purchase or lease price) in making an economic benefit determination for an unknown site. On the other hand, in general this criterion should be handled similarly to criteria 2, 6, and 7 as discussed above. Perhaps a solution, which might enable generic consideration, would be if the total estimated cost per site were capped by the applicant at the time of the master planning application.

Applications where the site(s) is (are) known could achieve a more thorough review under a master planning process than a case in which all sites are not known because review could occur under one or more of the remaining criteria at the time of a master plan application or through later amendments. Conceivably, all the criteria, project and location specific, could be addressed entirely through a single application. This would be most feasible for the scenario of multiple facilities on a single site. If the application addressed all criteria for multiple sites, then the Board's decision could be divided into findings applicable to all sites and location-specific findings. A similar division could be made for conditions in a CPG, or a CPG could be issued for each site.